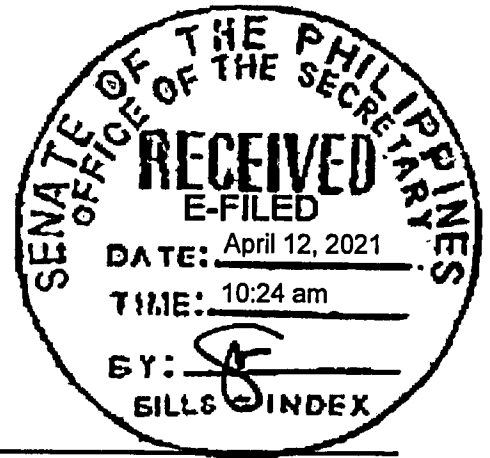


EIGHTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Second Regular Session)

SENATE
S. No. 2131



Introduced by Senator Grace Poe

**AN ACT
PROMOTING THE GROWTH AND DEVELOPMENT OF WIRED INFORMATION
AND COMMUNICATIONS TECHNOLOGY (ICT) INFRASTRUCTURE IN RURAL
AREAS, AND FOR OTHER PURPOSES**

EXPLANATORY NOTE

Relative to their counterpart in urban areas, people residing in rural communities have long been at a disadvantage in terms of accessibility and connectivity to public services. The advent of technological advances even widened this gap between rural and urban areas as most of these advances are concentrated on the latter.

According to *Measuring Digital Development: Facts and figures 2020*, a report launched by the International Telecommunication Union (ITU) last November, worrying gaps in connectivity and Internet access persists in rural areas all over the world – 72% of households in urban areas have access to the Internet while only 38% of households have Internet access in rural areas.¹

These gaps, according to the same report, are even more pronounced in least developed countries where 17% of the rural population live in areas with no mobile coverage at all and 19% is served by only a 2G network.²

In the Philippines, 84.3% of the households do not have access to the Internet. Consistent with the trend in global data, incidence of household with Internet in the country is highest in the National Capital Region (NCR) at 32.3% and lowest in rural areas like Region V at 5.7% and the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) at 5.1%.³

¹ 2020 November 30. Household Internet access in urban areas twice as high as in rural areas. Retrieved from <https://www.itu.int/en/mediacentre/Pages/pr27-2020-facts-figures-urban-areas-higher-internet-access-than-rural.aspx>

² Ibid.

³ 2020 June 26. National Information and Communications Technology Household Survey (NICTHS). Retrieved from <https://dict.gov.ph/ictstatistics/nicths2019/>

The implications of this digital gap are far-reaching. Previous studies show that access to the Internet not only strengthens social ties and increases access to information; it is also directly correlated to better economic outcomes as it opens communities to additional employment opportunities and livelihood activities.⁴

The importance of having access to the Internet was even magnified when people were forced to stay at home, but expected to go on with work and school responsibilities, during the imposition of varying levels of community quarantine due to the COVID-19 pandemic.

The pandemic also served as a painful reminder of how far behind rural areas in the country are in terms of access to Internet and other information and communications technology (ICT) services. In the beginning of the pandemic, we were welcomed by news reports of teachers and students having to go to rooftops or elevated places to connect to the internet.

Clearly, despite the government's efforts to promote digital inclusion – through the Free Internet Access in Public Places Act and the streamlining of requirements for the construction of cell towers, among others – rural areas continue to be sparsely covered and are not considered as a viable business location by telecommunication operators.⁵

To address this digital divide and facilitate infrastructure rollout in rural areas, this bill aims to incentivize small players and/or local ICT providers to expand their ICT services in rural areas through tax benefits.

At a time when virtual connectivity is almost as important as having access to electricity, it is only appropriate that the government step up to address digital inequality. After all, it will not only help rural communities but also improve the chances of the country to revive its economy after the pandemic.

In view of the forgoing, the immediate passage of this bill is earnestly sought.

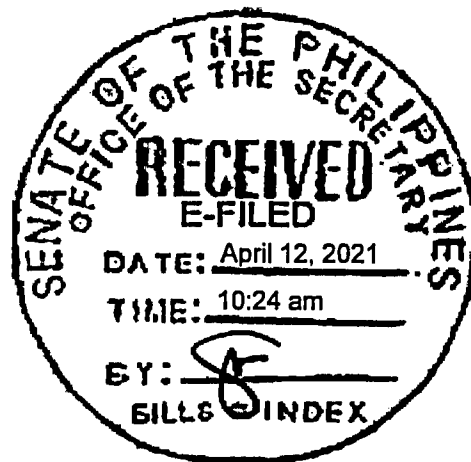

GRACE POE

⁴ Getting Connected: The Impact of Mobile Phone Connectivity In the Rural Philippines. Retrieved from <https://www.poverty-action.org/study/getting-connected-impact-mobile-phone-connectivity-rural-philippines>

⁵ Rural Communications. Retrieved from <https://www.itu.int/en/ITU-D/Technology/Pages/RuralCommunications.aspx>

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AN ACT
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AREAS, AND FOR OTHER PURPOSES

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

1 *Section 1. Short Title.* – This Act shall be known as “Rural Wired Connectivity
2 Development Act.”

3 *Sec. 2. Declaration of Policy.* – The State reaffirms its recognition of the vital
4 role of communication and information in nation-building, as stated in Article II,
5 Section 24, of the Constitution. As such, it is hereby declared the policy of the State
6 to improve Internet accessibility in rural areas and promote digital equality.

7 *Sec. 3. Definition of Terms.* – For purposes of this Act, the following terms shall
8 mean:

9 a) *Customer Premises Equipment (CPE)* – refers to service provider
10 equipment set up on the physical location of the subscriber to provide the subscriber
11 with information and communications technology (ICT) services. A CPE may include,
12 but is not limited to, a telephone handset, modems, and router.

13 b) *Connection distance* – refers to the length of wire between the facility
14 and the CPE required for the small player to provide services to a subscriber.

15 c) *Cost of CPE* – refers to the wholesale cost, as purchased by the small
16 player, of the CPE that is installed at the physical location of the subscriber.

- 1 d) *Cost to connect* – refers to the sum of the following costs:
- 2 i. Cost of the wire used to connect the facility to the CPE of the
- 3 subscriber;
- 4 ii. Costs related to equipment used by the small player to ensure an
- 5 acceptable level of quality of service, such as signal amplifiers, which are
- 6 installed outside of the facility and along the connection distance;
- 7 iii. Costs related to the mounting of the wire in compliance with good
- 8 engineering practice, such as, but is not limited to, brackets, staples, and
- 9 hangers used along the connection distance.
- 10 iv. Costs related to the mounting of the wire in compliance with third-
- 11 party business arrangements, such as, but not limited to, pole rental fees.
- 12 e) *Facility* – refers to a permanent structure, comprised of (a) all installed
- 13 electrical and electronic wiring, cabling, and equipment; and (b) all supporting
- 14 structures, such as utility, ground network, and electrical supporting structures, from
- 15 which wired services are delivered to subscribers.
- 16 f) *Small player* – refers to any entity, duly authorized by the National
- 17 Telecommunications Commission (NTC) to provide ICT services, including internet
- 18 connectivity, with the following characteristics:
- 19 i. Place of business registration – a small player must be registered
- 20 in a city or municipality where at least twenty-five percent (25%) of barangays
- 21 are classified as rural by the Philippine Statistics Authority (PSA);
- 22 ii. Place of operation – a small player must be operating at least one
- 23 facility in a city or municipality where at least fifty percent (50%) of barangays
- 24 are classified as rural by the PSA;
- 25 iii. Income tax – a small player must not have been liable to pay an
- 26 income tax greater than five hundred thousand pesos (PHP 500,000) in the
- 27 previous year; and,
- 28 iv. Number of subscribers – a small player must not be servicing
- 29 greater than ten thousand (10,000) subscribers nationwide.
- 30 g) *Wire* – for purposes of this Act, "wire" refers to a physical medium, such
- 31 as, but not limited to, copper wire, coaxial cable, or optical fiber, that is used to deliver
- 32 ICT services.

1 h) *Wired ICT services* – refers to ICT services that are delivered using wire.
2 ICT services that are delivered using radio frequencies without the need for a physical
3 connection between the facility and the CPE are not included in this definition and are
4 described as wireless ICT services.

5 *Sec. 4. Qualification.* – Subject to review by the Philippine Competition
6 Commission (PCC), a small player shall be qualified to access the incentives provided
7 in this Act if:

8 a. The small player is not one of several small players whose beneficial
9 ownership is vested in a single person or corporation, or;

10 b. The small player is not a subsidiary of any corporation or conglomerate.

11 *Sec. 5. Access to Incentives.* – A small player shall be granted an incentive for
12 connecting a new subscriber, provided that:

13 a. The connection distance between the facility and the subscriber shall not
14 be less than fifteen (15) kilometers, or;

15 b. The barangay in which the subscriber is located is described as rural by
16 the PSA.

17 *Sec. 6. Proof of Installation.* – Subject to existing regulations and evidence
18 requirements of the Bureau of Internal Revenue (BIR), an Audited Financial Statement
19 containing the following may be used by the small player to prove:

20 a. Income tax paid in the previous year;

21 b. Total number of subscribers;

22 c. Total number of new subscribers;

23 d. Total number of new subscribers for installations that may be granted
24 incentives;

25 e. Total connection distance for installations that may be granted incentives;

26 f. Total cost to connect for installations that may be granted incentives; and

27 g. Total costs of the CPEs for installations that may be granted incentives.

28 Nothing in this Act shall be construed as limitations to the power of the BIR and
29 other regulatory agencies to perform audits and other regulatory functions in pursuit
30 of this Act.

31 *Sec. 7. Incentives.* – A small player may choose either, but not both, of the
32 following incentive schemes:

1 a. Total of costs of CPEs of new installations, to be applied as a tax credit,
2 for five years, or;

3 b. Total of costs of CPEs and costs to connect new installations, to be
4 applied as a tax credit, for three years.

5 A small player may choose either, but not both, of the following taxes to which
6 the tax credits may be applied:

7 a. Value added tax, remitted quarterly, or;

8 b. Income tax, remitted annually.

9 *Sec. 8. Penalties.* – A small player who fraudulently accesses the incentives
10 provided by this Act shall be penalized by three (3) times the total amount of tax
11 credits granted.

12 *Sec. 9. Preparation of Revenue Memorandum Circular.* – The BIR shall publish
13 a Revenue Memorandum Circular for the implementation of this Act within 90 days
14 from its approval.

15 *Sec. 10. Separability clause.* – If any portion or provision of this Act is declared
16 unconstitutional, the remainder of the Act or any provisions not affected thereby shall
17 remain in force and effect.

18 *Sec. 11. Repealing clause.* – Any law, presidential decree or issuance, executive
19 order, letter of instruction, rule, or regulation inconsistent with the provisions of this
20 Act is hereby repealed or modified accordingly.

21 *Sec. 12. Effectivity clause.* – This Act shall take effect after fifteen (15) days
22 following its complete publication in the Official Gazette or a newspaper of general
23 circulation.

Approved,